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## A NATIONAL FUND FOR PROMOTING EFFICIENT MUNICIPAL ACCOUNTING AND REPORTING

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Secretary of the Fund.

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When Herman A. Metz assumed the office of comptroller of New York City a few years ago, he was shocked at the archaic methods employed in transacting public business, in recording transactions, and for currently showing the financial position of the city. Having built up a large private business of his own and knowing, therefore, from first-hand study, the importance of efficient methods, the lack of business methods in the city government was all the more glaring to him. About this time the Bureau of Municipal Research began taking an active part in investigating the city's business methods. As a result of its studies, with expert advice, it framed definite suggestions as to how the city's business and accounting methods could be improved so as to bring them into line with accepted standards in well-conducted private business. The Bureau submitted its suggestions to Mr. Metz, as comptroller, who eagerly embraced this opportunity for correcting the chaotic condition of the comptroller's office. By doing so he started a movement for efficient business practice, still in operation, which is permeating every nook and corner of New York City's departments, to the profound astonishment of many wiseacres who said the thing could not be done.

So impressed was Mr. Metz with the need for modern municipal accounting and business methods, which he knew must be nation-wide that, upon finishing his term as comptroller, he conceived the idea of establishing a fund for carrying on a campaign of co-operation along these lines in other American cities. Correspondence was entered into with a number of city comptrollers throughout the country. He found that his plan met the hearty approval of these officials. He thereupon established the National Fund for Promoting Efficient Municipal Accounting and Reporting, endowing it with \$10,000 a year for three years. The administration of the fund was placed in the hands of the Bureau of Municipal

Research, because this agency was already in touch with city officials throughout the country.

This fund, now generally known as the "Metz Fund," seeks to make available to American cities the best principles and practices worked out in municipal accounting; to assist officials who find themselves in the plight in which Mr. Metz found himself when he became comptroller of New York City, by showing how they may establish efficient accounting and business methods; and to answer questions concerning municipal accounting and other problems. In short, to show how, when city officials have the will, to adopt in municipal business the kind of accounting systems and business methods which are in use in efficient private business.

In addition to publishing current bulletins calculated to arouse interest in and to emphasize the need for better accounting methods, and to answering questions submitted by city officials and private citizens in various parts of the country, the fund is developing a literature on municipal accounting, a field which up to this time has scarcely been touched. It is publishing a series of "Short Talks on Municipal Accounting and Reporting," one number of which appears each month, seven numbers having thus far been distributed.

Talk No. 1 contains a discussion of municipal revenue and expense accounts, what they are and what they are not, why they are necessary, with a concrete illustration of a revenue and expense statement and an illustration of the kind of a statement that usually passes for a revenue and expense statement. Talk No. 2 discusses a balance sheet or statement of assets and liabilities of the general account, how it is developed and why it is necessary. It contains illustrations of the right and wrong kind of balance sheets, and statements of surplus or deficit account. Talk No. 3 deals with fund accounts, tells how they are developed, why they are necessary; contains concrete illustration of fund balance sheet, and of a summary consolidated balance sheet. Talk No. 4 deals with the capital account balance sheet showing the capital assets and liabilities of a city; shows why these accounts are best exhibited in a separate statement from current assets and liabilities; explains depreciation, capital surplus, assessment accounts, etc.; and gives concrete illustration of a capital account balance sheet. Talk No. 5 explains the correct treatment of sinking fund accounts and trust fund accounts. Talk No. 6 deals with functional expense and cost

accounts; explains the underlying principles of classification and points out some prevailing misconceptions of the purpose of classification; explains the value of functional and job costs, and of accounts of work performed, both being necessary for ascertaining unit costs; and Talk No. 7 explains a scientific method of collecting and controlling municipal revenues, describes the kinds of documents and method of audit; contains illustrations of forms of reports to treasurer and financial officer and forms of new triplicate tax bill adopted by New York City. When completed the "Talks" will be published<sup>1</sup> in book form.

One of the vital needs of almost every municipality in the country, and, for that matter, of every state government in the country, is a scientific method of budget-making, in other words a scheme for determining how much money should be appropriated and how the appropriations shall be apportioned among the activities of the city and the objects of expenditure, in order to make certain that money will be spent for the purposes for which appropriated and no other.

The Metz Fund, in recognition of this need, has undertaken the preparation of a handbook on the subject which it hopes to make available to every city and state in the country. This book, which is now in preparation, will cover every phase of the subject of budget-making.

Information regarding present methods of budget-making has been obtained from over fifty cities and will be incorporated in the manual in a comparative statement. Another subject which is engaging the attention of citizens who desire to make municipal business more efficient is that of scientific purchasing and standardization of supplies and materials. This subject will be dealt with in detail in a book which the Metz Fund plans to publish in the near future. For the purposes of ascertaining the steps taken by commission government to improve city administration the fund conducted a comparative field study of ten typical commission cities in which the practice of commission government was carefully analyzed. The results of the study are now in preparation for publication. Where city officials desire to consult with the experts of the fund in their own cities so that the subject of conference may be close at hand, such service is made available at cost.

<sup>1</sup> D. Appleton & Co., Publishers.